

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

**SUNSET FOR THE
TWO-STATE SOLUTION?**

WELCOME:

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MARINA OTTAWAY: Okay. Good morning, and thank you for turning out so early on this beautiful morning at least, which may in fact be the most cheerful thing that we are going to have for the entire morning, given the topic of what we are going to discuss and given the overall situation in the Middle East.

I am Marina Ottaway; I am the director of the Middle East program of the Carnegie Endowment, and I have the pleasure today to welcome back here Nathan Brown. Nathan Brown is the director of the Institute for Middle East Studies at the Elliott School at George Washington University. We don't like admitting that that's what he is doing. We like to think of him as a senior associate at the Carnegie Endowment, where he is a non-resident associate, and we still consider him very much a part of the organizations.

Nathan, as you know, has just produced this policy brief, "Sunset for the Two-State Solution," which paints a rather pessimistic view of the situation concerning the peace process and the possibility of finding a solution to that – to that situation. The discussant for – in the meeting is going to be Ghaith al Omari, senior of research fellow at the New America Foundation, an advocacy director at the American Task Force on Palestine – clearly, extremely involved in this issue. Given the fact that I'm sure there will be a lot of questions, I'll start the meeting without further ado. Thank you.

NATHAN J. BROWN: Thank you very much, Marina. When I was here at Carnegie full-time for two years, one of the things I learned – under Marina's gentle direction – was how to write succinctly, something that does not come naturally to an academic. And so when I tried to write this piece we're releasing today, I anticipated having all kinds of difficulties – such a complicated situation, how can you squeeze it into a few words. In fact, I didn't have any trouble, except with one thing that I agonized over, and that was a punctuation mark. And you see I think the outcome of that internal struggle was the title for this talk, which is "Sunset for the Two-State Solution," and the policy brief, which I think has a question mark at the end, at least the version that I submitted, I think: "Sunset for the Two-State Solution?" And it's basically sort of a heart-versus-head sort of thing. And what I thought today was I would speak a little bit more from the head rather than from the heart, and therefore take away the question mark, or, if anything, put an exclamation point there: "Sunset for the Two-State Solution!" – learn to live with it.

I don't think that – that's not completely what I'm going to do, but what – I was very happy when Ghaith agreed to come because what I found from maybe just a couple brief discussions from him is that he and I usually sort of see the facts the same way, but he comes to a different conclusion. And so I'm desperately hoping that he won't tell me that I made factual errors, but that there is some basis for revival for the two-state solution is much stronger than the one that I see. And that's a tall order and maybe he won't fill it.

But so let me first begin with sort of why it is that I gravitate between a question mark and an exclamation point. You know, it's often said that, you know, the solution to the Israeli-Palestinian conflict is well-known. Okay. All that matters is the details and signing on the dotted line. It's true in some ways and not in some others. Those details are actually fairly important to some of the parties involved. But that completely bypasses the question of how you get there from here, and I'm increasingly convinced that you can't.

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One set of obstacles is physical and those are very, very familiar, and that's essentially the network of – of you know, settlements and roads and barriers and checkpoints and so forth and so on. And I don't have much to add to the entrenchment of Israeli control in the West Bank and surrounding Gaza. Those are very, very formidable obstacles. But I think what's happened in the last couple years has been the emergence of a second set of obstacles, which in some ways are even more formidable because they're institutional. You know, roads can be moved; institutions are extremely hard things to build. And that's what I really want to sort of concentrate on. What has been happening on the Palestinian side, I think, is a decay and – really a catastrophic decay – in Palestinian institutions and in the sense the – in the ability of any Palestinian leadership to speak authoritatively for the Palestinians. And I don't think that's good news for anybody. I don't think it's good news for Palestinians; I don't think it's good news for Israelis.

What we have on paper right now is, in a sense, two Palestinian authorities. We have one headquartered in Ramallah and one headquartered in Gaza. And that speaks of a fissure but not necessarily completely decay. Those are two bodies which are very much at loggerheads, but what can be split can perhaps be knit back together. That, I think, it's actually more difficult over time. I think at some point most Palestinians expect that it will happen and I think they're probably right, but the question is what's going to be left and what is knit back together?

The fact is that neither is really a state of law or institutions. Both of them – I mean, Hamas is, from what we can tell, running Gaza a little bit as, you know, sort of a party militia that has taken over. They have some sort of thin veneer of legality and some claim to institutional legitimacy, but in a sense what they've been doing is entrenching themselves, digging themselves in deeper as sort of a one-party dictatorship. We hear about, you know, closing down of newspapers, harassment of opposition, and this sort of thing, and essentially the emergence of sort of a party/movement/state/militia that does not auger well for the development of a leadership that is capable of negotiating for them.

On the West Bank side, what we have is a Palestinian – sort of the remains of a Palestinian authority attempting to govern from Gaza, but which, as I've said, Palestinians experience a little bit as an international prestige-ship (?). It is basically bereft at this point of much domestic legitimacy, even by those people who are working fairly high up in it. This is something that is there, that kind of continues in motion. And the American approach right now seems to be to say, okay, let's take that rump (?) Palestinian authority in Gaza and build it up. We will build it up through basically giving it diplomatic concessions and economic assistance, and the combination will show Palestinians – and this was articulated even last week by Steven Henley (sp) – will show Palestinians that there is an alternative to Hamas, and a much more attractive alternative to Hamas.

And that's not how things are going. Instead, actually what you've got is a Palestinian authority that I think in some ways is decaying on somewhat further. The diplomatic concessions that they are getting – to the extent that they are getting them – are concessions sort of on paper, or sort of serious discussions about what a final status agreement would look like, that at this point carry absolutely no credibility in Palestinian society. They've heard this story before. Palestinians think they were promised a state back in the original Oslo Accord. If you read the Oslo Accord it's – that's not what they say, but perhaps it's an understandable interpretation. But, in a sense, I think most Palestinians are feeling, we're not going to buy that bill of goods one more time. A promise of eventual statehood means absolutely nothing at this point. So the diplomatic process doesn't shore u, the Abu Mazen or Salam Fayad.

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And economically what you're seeing is band-aids for a situation that is essentially a state of economic depression that is good in West Bank only by comparison with Gaza, in which some of the effects of that can be ameliorated by international assistance, but the fundamental underlying conditions are not addressed. So it hardly creates a viable leadership that is able to show that if you play the game by the international rules, that you have something to show for it. And then, even if you did – were able to do this, the idea that you can then go to Gaza and say, look, we've got this viable alternative, there's no modalities for doing that. Gaza – Hamas and Gaza are not simply going to say, look, we were wrong. Abu Mazen, you know, able to produce these sorts of benefits. There's sort of talk of a referendum but nobody's thinking, how is this referendum actually going to be carried out? How is it the Palestinians are going to be able to express a preference for one path or the other if the central institutions in Palestinian life, including those that would be responsible for carrying out an election, basically have no authority left? Okay. So that's why the exclamation point: "Sunset for a Two-State Solution!"

Why the question mark? Why is it that I have some ambivalence? Essentially because the alternatives are worse. And that's actually kind of a bleak conclusion. I'm not saying that a two-state solution is possible -the logic seems to be leading the opposite direction – but just that the alternatives that have been proposed I think are in worth for all concerned parties. A one-state solution – an idea that's getting increasing traction, especially on the Palestinian side – I think, offers a utopian reality, or a utopian dream, which in practice, as it's actually emerging is – I mean, in a sense you have a one-state solution emerging of the ugliest sort. That's what a one-state solution would look like in practice. So it's probably unfair to hold up the ideal of a one-state solution versus the reality that's on the ground right now as, in contrast, in my mind, if we moved to a one-state solution, it would look a little bit more like the present than its advocates are willing to admit. And again it's – there's much less thought given of exactly how you get there from here, even if you did believe that a more equitable kind of one-state solution were possible.

Second solution: just *modus vivendi*, just trying to learn to live with each other. I think in the short-term that may be a good idea. In the long-term, eventually what you – what I think you saw – I mean, the argument that I make is that what you saw in the Oslo process was that two sides that were ostensibly committed to a long-term settlement could take short-term arrangements and push and cheat and argue them to death. That's what happened when you had Fatah and a labor government. What are you going to do now when you've got Hamas on one side and, you know, a coalition on the Israeli side? How are you going to turn – how long can a *modus vivendi* survive? An Israeli military solution I think is not an option. It's – an attempt is increasingly likely. But, in the sense, I think – and most Israelis recognize this – probably have results something like the 2006 Lebanese-Lebanon war – that is, something that is pursued perhaps for understandable domestic political pressures – you know, leaders in democratic society have to be seen to be doing something. But not something that addresses the underlying conflict and something that – and not the sort of thing that would do anything other than deal Hamas a temporary setback.

Okay, so the two-state solution is impossible, the alternatives are even worse. What to do? One possibility would be just for me to stop here, and that's what I'm kind of tempted to do and –

MR. : (Off mike.)

MR. BROWN: Yes.

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MS. OTTAWAY: You should not invite people – (inaudible, chuckles).

MR. BROWN: Yes, yes. And, in fact, that would probably be the intellectually most honest. I'm not going to do that, not because I'm intellectually dishonest, but I think partly in – not to put all the burden on faith. It does seem to me that if we kind of grasp onto that question mark – the idea that a two-state solution is – that there is no viable road map to a two-state solution, but that it's not completely dead, and we pose ourselves a question, what could we do to revive it, I think that then you begin to – if you ask the question in that form – there are some possible answers, ones that I'm not incredibly sanguine about, but at least are not absolutely impossible.

And I would just focus on two. I mean, number one is this set of physical obstacles that I talked about. There has to be some real attempt to convince all actors – Israelis, Palestinians, and outsiders – that those physical obstacles can be moved. And, in a sense, the Israeli unilateral disengagement from Gaza was – may have been a missed opportunity in that regard, but that would be one area to focus attention. And the other is institutional – basically, some attempt to revive the Palestinian authority as a viable governing body, which has the ability to express the will of the Palestinian people, expressed in some kind of democratic procedures. And that, I think, would be extremely difficult to revive, but not impossible.

And I will go back to saying something that I said back – basically back in January 2006, when there was an idea, wait, these elections turned out wrong; let's do them over again. Yes, and in a democratic society you do elections over again, after the constitutionally mandated term, and that was fairly clear, 2010. The relevant (?) Palestinian elections are 2010. And there's been talk of early elections so much that people are forgetting that those elections are due, at this point, a year-and-a-half from now. They would no longer be early. If we go on the way that we're going, there will be no Palestinian elections in 2010, in January 2010. If there is some attempt at some kind of re-unification of the Palestinian authority, then those elections become a little bit more viable possibility and the various parties involved – the Palestinians and outsiders – can focus on presenting Palestinian people with real and meaningful choices to elect a viable leadership that then has the authority to negotiate on their behalf. That's a slim threat but I will say it's not – it is still a threat. And it's basically for that reason that the policy brief itself ends with the question mark. I'll stop there.

MS. OTTAWAY: Thank you. Thank you, Nathan. I told you that probably the sun was the most cheerful thing today, but let's see if you can add something more positive.

GHAITH AL OMARI: I would probably would have to agree with you, but I'll try. I think it was Chaim Weisman (sp) who said, you do not need it to be crazy to be a Zionist, but it helps. And after reading this paper, I come up with the same conclusion about the two-state solutions. You don't have to be crazy to believe in it, but it definitely helps.

I think, the policy brief, the paper, is so well-written and so sensibly argued that it's going to be difficult to disagree with it, but I'll do my best. It really presents the hard questions, dilemmas, that all of us right now are facing as we continue looking at the two-state solution as the most desirable, if not necessarily the only viable one. The two-state solution has been going through a crisis since Camp David II, right (?). I mean, since then we have not yet managed to regain our footing in resuming the process. There was a period of denial after that, when things like Geneva

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and the – (unintelligible) – initiatives came out. These fizzled out and right now we are control – we are in this process of this downward spiral that the logical trajectory is leading to exactly what Nathan said. But I still see some hope in the current situation.

The way I see it, again, from the brief, there's really two options that we have. One option is the two-state solution – I'm going to get back to that in a minute – but the other option is chaos. I mean, all the three other alternatives that Nathan mentioned all boil down to the same thing, boil down to basically uncontrollable and unpredictable chaos. The one-state solution is not a solution as – I mean, if you look at the brief, what it really is describing is not that the emergence of a one-state solution but the collapse of the two-state solution, or the political institutions and political platforms that are attached to it. It will end up having, with fragmentation – (inaudible) – Palestinian national movement completely in disarray – best case scenario, we wait – we'll wait for a couple of generations to have a new leadership. I'm not sure that anyone can afford to wait that long. Basically, if the two-state solution paradigm disappears, what happens is quite predictable. I mean, every time that a major paradigm collapses, we go through a period of chaos. No one knows what the end is going to be, going to look like, but the process itself is going to be quite bloody and messy.

The issue of military – Israeli-military victory, I would not have touched upon it were it not for the fact that it seems to be the most likely event this summer. The trajectory of where Hamas is going, where Israel is going, makes me believe that there will be a military operation, a wide-scale military operation, in Gaza this summer. What's happening in Lebanon right now will also add to the urgency. I don't think Israel, or for that matter, Jordan, Egypt and Saudi (?) will be very happy seeing two Iran-backed regimes in the middle of the Levante. So the pressure for a military operation will intensify. The trick now, if it's going to happen, how do we make sure that it's not going to be something like Lebanon? I'm not sure even if that's doable, but at least something has to go in that direction. Modus vivendi is just simply not – not viable. It's too explosive, too volatile; it will lead ultimately to a resurgence of the violence and which will lead us, again, to the collapse of the paradigm. So for me these three options are the same. They all lead to the same – to the destruction of what we understand now, the basic organizing principles, and move into the unknown. And that is too – that is impossible to predict where it's going to go.

Before, though, I get to the two-state solutions of why I believe it's still doable, there are a couple of remarks that I want to start with. The first one is when I started with the peace process, I started – when I started working on it, I started kind of – my aim was to reach an ideal peace process, which is one that is based on warm relations between Palestine and Israel, A; and, B, on a Palestinian state that is institutionally sound, that is democratic, et cetera, et cetera. These are still desirable, but I don't think they are necessarily essential for coming up with a two-state solution. One can imagine a two-state solution similar to many of the other Arab countries in the Arab world. You have cold peace with Israel, not warm peace, and you will have a state that is less than ideal. That is still a possibility. And in my own mind, I'm not sure if it's a worthwhile possibility, but it's definitely at least a more stabilizing option than the other options that we have. So some of the pre-conditions that I see in the paper are not pre-conditions for success, but rather pre-conditions for reaching an ideal solution. Maybe we can do away with some of these.

One point that was raised in the paper is the issue of national unity. One argument that goes through the paper is that it's possible to make progress without having national unity within the Palestinian political system. First of all, I'm not necessarily – I'm not sure that this is necessary or

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desirable. If you look at most national movements and the development of most states, there's always a point – the development of a nation and of a national narrative – where two narratives clash, and one of them will end up prevailing and defining the nature of a state and a society. We saw it in Israel, we saw it in Jordan, we saw it in the founding of this country.

So there is something to be said for clarity of objective and clarity of national narrative. And Hamas and Fatah are coming from two very different places, not only in terms of how they deal with the peace process, but in terms of the domestic vision, in terms of a political vision. And I believe that trying to create artificial national unity is, at best, not stable. We saw this – during the Mecca Accords. And I think right now neither side, Hamas or Fatah, are in a political place that allows them to reach the necessary level of unity. They might reach an accommodation, as they did in Mecca, but we saw them, during that accommodation, that each side used this period to try to shore up its own security and political assets, in an attempt to overthrow the other side.

There are some pre-conditions for a state of national unity – agreement on a political platform, and neither side is willing to do that. And I think, even more importantly, willingness to relinquish their security assets, further relinquishing its monopoly over the security forces and Hamas disarming. And, again, neither party is secure enough to do that. They're still – there's still mutual suspicion between them. And, especially in the case of Hamas, disarming would lose it so much political credit and would require such a transformation of the nature of the movement – and dropping the idea of resistance – that I don't see it happening. So the two-state – the national unity, is not something that I can see – even if it's desirable, it's not practical. It's not going to happen in the next year or two. So that's one factor that I will actually move off the equation at the moment.

And the last kind of point that I would make for a – (inaudible) – two-state solution is – you mentioned settlements, and I cannot overemphasize the importance of settlements and a settlement freeze, not only for the practical reasons. I mean, at the end of the day – if by the end of the year we have an additional five, 10,000 more settlers – that's not practically such a big problem. But politically speaking, it's devastating.

Politically speaking, as Abbas, Fayed and those of us who are arguing for a two-state solution, the strongest counter-argument is, well, if Israel is serious, why is it settling the land? In the same way that the Israeli government right now is making these tenders for settlements for domestic political reasons, on the Palestinian side, for political reasons as well, if there's no settlement freeze, the credibility of the process and those who are behind it is definitely being undermined. Is a two-state solution still revivable? I believe so. I believe it's still doable. However, we have to start by defying expectations from the ongoing process.

I think what we are hearing from the administration right now is complete insistence that we can reach a deal – a conflict-ending deal by the end of the year is highly unrealistic. And I think it's rhetoric that the administration has locked itself into, but it's a rhetoric that has to be changed. I think the name of the game for the next few months is going to have to be transition. How do you create a situation where the next administration will be capable of picking something up and running with it? We don't want to see a repeat of Clinton. I mean, as this administration defines itself as anything but Clinton. Maybe this is one area where this is valid. You don't want to be the next administration with a collapsed peace process. You need to leave them with something stable.

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This would require a number of elements to start to be focused on by the end of the year. One is the escalation in Gaza. It is essential. Military operation in Gaza, if it were to happen, would destabilize not only the peace process, it will spill over into the West Bank, it will put Abbas and Fayed in a very awkward position where they cannot support the attack. But at the same time, if they are against it, they would politically lose, there would be violence in the West Bank – that would follow from that will be very hard to control. So we need to de-escalate, and I think that Egyptian efforts right now are exceptionally important and in that sense have to be used.

Part of the escalation process would have to entail opening up Gaza. To keep Gaza under siege, the way it's been going right now, has created – rather than weakening Hamas, has created a level of identification between the public and Hamas. When you don't see an option as your average – (unintelligible) – you don't see an option for – a solution for your living conditions, it's hard to turn against Hamas. You feel that you and Hamas are on the same boat, you're both under attack. There has to be the opening up of Gaza. With international supervision and monitoring, there are ways of doing it, but it's essential.

Things have to move on the West Bank. The problem is not that the Palestinians on the West Bank have – do not have faith in the process producing anything. I think people are still having some level of hope. The reality is, though, we're hearing a lot of talk and nothing is happening on the ground. There has to be the ability of Abbas and Fayed to deliver. And this is something that's completely in the hands of the Israelis, but it's also something that the United States can play a major role in, rather than focusing on trying to create a deal and an end to – gained by the end of the year. There is a lot of space and sway for the U.S. to try to work with Israel on allowing for deliverables – (inaudible) – end of the year, so that when we get to the end of this administration, one can say that, yes, there is no peace agreement, but at least there is some movement. This will be an anchor that might stabilize things until the next administration.

Now, the optimistic note that I will end on actually goes from a point that Nathan mentioned. As an academic, Nathan needs to be intellectually honest. As someone who is dealing with politics, luckily we don't have to deal with intellectual honesty that much. It's a political argument. And basically when I look at the two-state solution, there are too many interests which are just – which are tied into that, into that option: institutional, regional, political, domestic Palestinian, international, financial, you name it. There are so many interests which are tied into that. And the collapse of the two-state solution would be extremely destabilizing.

And as such, as while states do not always act rationally, sometimes they do. And when they look at some of the interests and some of the implications of the collapse, I can see a political will to move towards that. And if we do reach an agreement – not necessarily one that is fully supported by the public, fully embraced by the public initially – but if there is an agreement, the motive of – the terms of the debate, if you wish, will change, the terms of the political debate will change, there will be a new arsenal of messaging that can go in there and I think that this will shift the dynamic. So my note is not – you know, my optimistic note is that maybe despair fear might be a better motivator than hope and goodwill and this is what we might be seeing in the next year or so. Thank you.

MS. OTTAWAY: Thank you very much. Before I open it up for questions, I'd like to pose a question to both the speakers because it seems to me that we have focused exclusively on the internal situation, and yet there are a lot of new elements in that part of the world that one way or

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another – at least I think are likely to have an impact on this process. One is the recent events in Lebanon. The early indications in Lebanon is that, you know, I do not try to predict where it's going to end, but certainly so far this has been a victory for Hezbollah. Hezbollah has emerged from this confrontation much stronger, or at least it has shown how much stronger it is than the government side.

And then we have the other factor, which goes in quite a different direction. That is this context between Syria and Turkey to try to work a negotiation on the Golan Heights. So what I'd like is for both of you to bring in this factor a bit. I mean, does this change anything in the picture that you have painted so far?

You want to start, Nathan?

MR. BROWN: Yes. I would say it changes it slightly. I mean, Israelis and Palestinians tend to feel that their conflict is at the center of the world and therefore other conflicts are interesting but have limited relevance. And I don't mean just to be flippant there. I think that this conflict has an awful lot of its own dynamic and is not dictated by regional dynamics.

Obviously when there are crises elsewhere, especially violent crises, it makes for a very difficult situation, heightened emotions, gets people on edge, distracts decision makers, distracts external actors and so on. So I think some kind of flare, for instance, of Israeli-Lebanese tension would have some impact, not on the underlying dynamic but on day-to-day diplomacy.

The real regional development that I think we probably do need to pay some attention to is probably painful to an American to admit; but that's the decreasing relevance of the United States. There are two diplomatic processes going on right now. One is making world headlines. President Bush is going to the region. That's irrelevant to any diplomatic, viable diplomatic process on the ground, and I think most people know that. There's another diplomatic process that's going on much farther away from the headlines, and that's the Egyptian mediation effort. That really matters. And the United States is essentially looking the other way or giving its quiet blessing to this effort in a way that's really sort of extraordinary.

So what I would say is that we've kind of lived – it's not just an American-centric view. I think even the parties have lived for a long time under the assumption that no meaningful diplomatic process is possible without the participation of the United States, and the United States has historically guarded its monopoly over that fairly jealously. And I think that's beginning to decay.

It may be – having trouble with the word – the pessimistic-optimistic conclusion, the more despair, the more people might turn to the solution. This may make the two parties face each other much more directly than they have in the past rather than through the United States, so maybe there's something good that comes out of that. But to me that's probably the most relevant international factor.

MR. AL OMARI: When I was a negotiator, when I was an official, every time we heard of potential for a Syrian track we would have a panic attack because we know that Israel and the U.S. and the world cannot sustain two ongoing diplomatic tracks. We saw that under Barak. I'm not that

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afraid this time in that way. I don't see the Israeli-Syrian track going anywhere, at least under this administration.

A couple of notes on this one. First of all, it's just funny to see the activity of the Turks negotiating or helping to negotiate a return of the Golan. I mean, when I grew up, at school we were taught that Scandaroun (ph) area is still occupied Syrian territory and the Turks are one of the occupiers, so seeing them negotiating the return of the Golan has some irony to it. But the most important thing in the Syrian track is the fact that I believe the main Syrian objective in this context is to have the Americans in the room. They use this to leverage – the Americans to leverage normalization with the Americans, to help drop the Hariri investigation and all these things.

This administration at least will not go down that route. And I think this administration is not willing to pay the price of normalizing this thing with Syria for the sake of Israel. So that track I think would be dead, at least until the end of the year. We'll see what happens with the next administration.

And Lebanon, there is no direct relevance, I believe; but there is definitely, as I mentioned in the talk, there is a sense of fear that you see from some of the Arab states. There was a quote from some Hamas activist on the West Bank, yesterday, I think in some of the newspapers, where the guy was saying 2007 was a good thing. Now we're seeing it happening in Lebanon in 2008, and '09 it's going to be Jordan, and 2010 it's going to be Egypt.

There is a sense among some of these governments that this Islamic tide which is definitely supported by Iran, is a real threat. And as I said, I just don't see some of these Arab governments – definitely not Israel – being very happy with Hezbollah-dominated Lebanon on one side, and with a Hamas-dominated Gaza on the other side. And there will be a regional push, I believe, to try to undermine one of the two players.

My guess is it's going to end up being – the attack is going to be focused on Gaza, just because I don't see Olmert wanting to touch Lebanon again during his term. So this is where things stand. Again, Iran is, I think, as you mentioned, the kind of regional competition with Iran and the U.S. is what's going to shape the way things are going to shape up in the next – in the coming phase.

MS. OTTAWAY: I'll open the floor. Please identify yourself.

Q: Stephen Stern of Washington, D.C., Jewish Community Center. When Nathan finally made explicit what I was astonished not to hear when he said that the U.S. irrelevance in the diplomacy, it changed my question a little bit. I wanted to ask both of you about one of the points toward moving back towards a two-state solution might be that you raised at the end, which is the physical obstacles and barriers that exist in the West Bank.

And in thinking on what might make that possible for two sides, I'm thinking there has to be some institutional meeting, was the term you made, but involving the U.S., or maybe someone else, of the kind of security regimes, say in the late '90s, when the U.S. was brokering some sort of Palestinian-Israeli security agreement. I can't see how any kind of removal of obstacles will go forward without something like that. Could you both comment on what's possible in those terms?

MS. OTTAWAY: Okay, let me take another question. Helena?

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Q: Hi. I'm Helena Cobban. I'm a Friend in Washington with the Friends Committee on National Legislation. Actually I have a big article about to come out, it should have come out this week – will come out this week in Boston Review that looks at the rise of Hamas and what that means, using also some of the material from the interview that I did with Khalid Michel (ph) in January, and some other material.

I guess, Nathan, I would not put a question mark at the end. I mean, I see not only the territorial basis for the two-state solution as having eroded hugely but also the political basis, given that the political pillars of the two-state solution were Fatah and the Labor Party, and both of them within their respective political constituencies have withered almost to nothing.

So there are other alternatives; and what I've been looking at is what I describe as a two-entity situation, which won't last for a long time, but you would have basically an entity in Gaza and an entity in Israel and the West Bank because there are powerful forces that don't want to see a border between Israel and the West Bank, on both the Palestinian and the Israeli sides. So there's a convergence, or as I say, a parallel unilateralism between Hamas and Likud on many of these issues.

So I think there are a lot of potential things that, outcomes – not outcomes, situations which may not be viable or sustainable over a long term but things that could happen in the region that don't fall into the boxes that you have labeled so far. And in particular that the idea of an emerging Likud-Hamas convergence of interests, as noted by – as evidenced by this fascinating series of conversations between Khalid al Mahri (ph) and Rabbi Menachem Froman (ph). I mean, I think there's a lot more going on there that you haven't really accounted for because all you're really looking at is the diplomacy of the – you know, the formal diplomacy.

Of course you mentioned the Egyptian negotiation, which is extremely important. I would like just to say that this week is going to be incredibly important. With George W. Bush in the region, all kinds of things could happen.

MS. OTTAWAY: Okay, let me take a third one here, and then we'll take another round.

Q: Keith Schultz, with USAID. And I guess I'm more of an exclamation mark type of person also, which probably makes sense since I was out in Jerusalem at the same time you were in January, probably talking to the exact same people, so I'm equally pessimistic about the two-state solution.

I think that one of the points you've made is that, you know, the only reason to be optimistic, one of the only reasons to be optimistic about the two-state solution is the lack of any viable alternatives because everything else, any other alternative is, you know, extremely problematic. And one that you didn't mention that also gets a lot of currency would be the whole Jordan transfer, Egypt transfer option, which is equally unworkable as the one-state solution is.

But you indicate that at this point there's no viable process, and I sort of agree with that. And you didn't say much about the substance. You said that, of course, everyone – generally the conventional wisdom is everyone knows what the final solution is going to be. But I actually now question that, too. I'm not sure that there is going to be agreement, or can be agreement right now on the sort of final solution, final compromise. I still think a lot of the issues, big issues can be

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compromised and resolved. But the one that I am really troubled by is the issue of Jerusalem, and how Jerusalem is going to be, you know, resolved to the satisfaction of both sides.

Of course I'm not talking about the Old City. I think the Old City can be actually agreed upon. I'm talking about sort of greater east Jerusalem and sovereignty and control over greater east Jerusalem, which is obviously much more difficult than it was even three or four or five years ago, given the obstacles that have arisen. So I'd be interested in your comments about that.

MS. OTTAWAY: Okay. A lot on the table.

MR. BROWN: Let me go, I guess, in the order the questions were made. First, the issue of U.S. security guarantees as part of Israeli disengagement, withdrawal from the West Bank. I didn't mean to – if I said the United States is irrelevant then I went too far – a decreasing importance, decreasing relevance. My guess is if there were a serious revival of the two-state solution, the United States would have to be a very active party involved in that. Some kind of security guarantees, perhaps, although I think that anything that involved a major American – I mean, this is my reading of American policy. Anything that involved a major American security presence on the ground would probably be problematic.

Helena's question or suggestion about the sort of two entities; I think I agree with what you say. I would switch the order of your sentence. Only you said it would be – it's not viable on the long term but it could emerge in the short term. I would say, yes, it could emerge in the short term but it's not viable in the long term. And it would fit into what I'm sort of referring to as a *modus vivendi*. The question is, where does this go?

But in a sense that is the pleasantest version of what is emerging. And yes, I agree. Essentially what's happening on an informal level I just don't know, but that's clearly what the Egyptian mediation is about, and it's clear that there is interest in this even from people who appear to be on the extremes on both sides. So yes, again, that worked for a year; that worked for two years. I'm not sure where it leads in the medium term, much less the long term.

Keith, let me just sort of focus on what you said about Jerusalem. There's something odd going on there. Again, I'm not an expert on the Israeli side, but what I see is something very odd up there. In a sense more honest conversations among Israelis about exactly what they want in Jerusalem and why, than there were 10 years ago, when the peace process seemed to be working.

So in that sense, if you look at it purely in Israeli domestic terms, a little bit more coming to terms of what a two-state solution, or even – I mean, let's remember, Israeli commitment to a two-state solution is extremely recent. It didn't occur during the Oslo process. They wouldn't mention – a Palestinian state was something that would be the outcome of negotiations. It wasn't something the Israelis were committed to. So they were questioning whether a Palestinian state would emerge. Most people understood that it would; but it was unspeakable.

Jerusalem was almost unthinkable. That's no longer the case. At the same time, effectively on the ground there's a detachment of Jerusalem from the West Bank in a way that impoverishes East Jerusalem and impoverishes the West Bank. So you have sort of this odd sort of dual trend, perhaps sort of a little bit more coming to terms on the Israeli side, but a much more difficult reality on the ground.

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MR. AL OMARI: In terms of the U.S. role, I mean first of all, the U.S. in my view, even though its influence is diminishing, is still the major player in that game, for one reason – it's the only player that Israel fundamentally trusts. No other – I mean, the U.S. might not be an honest broker but it's the only effective broker. And so no progress I think will happen, whether on security or on the big political issues if the United States is not involved in that.

In terms of – the question becomes actually what kind of involvement the U.S. has. The issues that I take with the way this administration has been approaching the process is too much focus on the big issues, too little focus on the actual things on the ground and the details. In my view, ultimately any deal that would be reached between Palestinians and Israelis would have to be reached between the two sides themselves in terms of the big issues because there are very fundamental issues – borders, Jerusalem, refugees – that deal with the very basic elements of national identity and national survival. As such, they will do it themselves at their own pace. If you push too fast and push too hard, you might break it. This is what happened at Camp David and this is the possibility that might happen if there's a new intensified American push for something on substance.

However, there's a lot that can be done in terms of managing things on the ground. I mean, in the last seven years there is Palestinians and Israelis got locked into certain automatic pilot modes, in terms of how they deal with security, how they deal with some of these issues. And a third party can be very important, especially in what you mentioned, the issue of security.

Now, I don't think the U.S. will ever have troops on the ground. That's politically unthinkable. However, to recreate a forum of trilateral security cooperation whereby certain American guarantees are there, where some of the mistrust between the parties is being mediated by the Americans, is something that is possible. Ultimately the U.S. will have to be the monitor of the Palestinian implementation of their security obligations and Israelis cannot be that monitor. And so this is a role that the Americans can play. But I think the administration should start shifting gears from dealing with the macro issues to dealing with managing things on the ground.

Actually the scenario that Helena mentioned is what's happening today, is the entity in Gaza and then another in the West Bank, Israel/Jordan, some extent. The problem with this is it's very volatile, as we're seeing now. It's volatile in Gaza, even though if the ceasefire works and holds, which are two big ifs, we might have a level of stability for a while.

But it's very also unstable in the West Bank. In the West Bank, as the Palestinian Authority is losing legitimacy, it's very much quickly losing its political platform, and we might end up getting to a point of a gradual collapse. These decaying institutions might stop existing, in which case this would create a power vacuum that would be problematic for both Israel and Egypt. Someone has to step in. So the idea of transfer to Jordan might happen in the reverse, as in Jordan having to come in and exert some security control, and Jordanians are not thrilled about this prospect.

Jerusalem, I think practically speaking it's still do-able. It's more complicated but it's do-able. You can still do it on the Clinton parameters, Jewish-Israeli, Arab-Palestinian. You need now more bridges and tunnels but it's still, from an engineering perspective, it's do-able. And I think politically it's still very do-able.

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It's interesting to see the – (inaudible) – which is, you know, insisting that they would leave the coalition if Jerusalem is even discussed. And they're happy when Olmert comes out and pro forma says, oh, we're not talking about Jerusalem, when everyone knows that it's happening. So there is a lot of posturing. There's a lot of political talk. But at the end of the day one of the coalition partners that we have right now, I think will bolt the coalition based on the issue of Jerusalem. They will bolt if once there's an agreement because they know there's going to be an election; but until then, at the current situation the coalition is stable.

MS. OTTAWAY: (Off mike.)

Q: I'm Landrum Bolling, one-time director of the Ecumenical Institute at Tantur in Jerusalem, and long-time involvement in this question. The word federation has not been used. My memory goes back to a conversation I had years ago with Yasser Arafat, when I asked him – I said, you've been talking to me now for two or three years about an ultimate peace with the Israelis. If you got a peace settlement, you got a Palestinian state, would you be in favor of some kind of federation in the region, with, say, Jordan or someone?

He said, why not federation with Israel? He said, that would make sense. Why can't the Israelis understand that we Palestinians, who are the most energetic, the most highly educated, the most entrepreneurial of all the Arabs? If they would make a federal deal with us, we could dominate this region. These were words I had from Arafat years ago.

Now that's an extreme kind of statement, but I think we have to examine the possibility of some kind of two-state solution, which would include some kind of new invention of a federal sort in which there is not two states confronting each other across a wall, and with hostility, but with some kind of device for cooperation of a very intense sort, in some kind of federation not yet invented. I wonder what the response would be to some form of a federal structure as one way of getting out of this dilemma we're in now.

Q: I'm Raphael Danziger from AIPAC. My question relates to the issue of timing. It's clear that Olmert, he has already said so publicly, believes that Bush is the best president that Israel can have in terms of moving forward and he really wants to make a deal while Bush is still in power. And presumably if he's replaced for all kind of reasons by somebody else in Qadima, that's still going to be the same view.

On the other hand, as we heard, Syria probably is now in a holding pattern waiting for the next president, thinking it can get a better deal. And I was wondering, where is Abbas towards Fayad on the issue of timing; because on the one hand presumably they also are not particularly happy about Bush, as the other Arabs are not. On the other hand, I think the timing, the pressure, time pressure on them is much higher than it is on Syria or on other players, so perhaps Ghaith, or Nathan too, can clarify where are the Palestinians on that issue of timing.

Q: Steve Riskin, U.S. Institute of Peace. I'm probably sharing Nathan's head and heart conflict. I've long been a skeptic of the two-state solution in my head, not in my heart. Both of you have said that it's the best solution, given the options. And this follows up on a number of previous questions, that it is not a good solution but it is better because all the others are so much worse.

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My first question is, has there been serious scholarship by either an individual or a group of people, who have looked at – specialists who have looked at various options aside from a two-state solution, or some combination that includes federation or confederation? I know there has been some research. I'm not aware of a serious work that has laid out in great detail what these various options should mean because I'm a little troubled with it's worse – the two-state solution is the best given all the other options.

And if I have just another question or two, can I – Ghaith, you mentioned about the fragmentation that would result if it was either going to be a two-state solution or chaos, and that there would be fragmentation in the Palestinian community. And I think as it was mentioned previously, there's serious fragmentation that has been continuing. I mean, you have a Palestinian community in the northern West Bank that is disconnected from the southern West Bank. Not to mention the Palestinian community in Jerusalem that is completely cut off. Gaza, and not to mention the 1.2 million Palestinians who are citizens of the state of Israel, and of course there are those outside, you know, outside the Holy Land.

And this is not unrelated, I think, to the settlement enterprise, that has not stopped under any combination of Israeli government, and continues. And that, I think, is directly linked to the fragmentation, whether it's by accident or design. This is what's happening, it is not stopping, and both of those trends I think are continuing that work even more against a two-state solution.

And I often ask when specialists come from the region, and specialists like yourselves, for 15, 20 years we've heard the window is closing on a two-state solution. My question has always been – and I've never got a completely satisfactory answer – how will we know when we see it when a two-state solution is no longer possible? I mean, it conceptually it is a very attractive and clean concept. Everyone can understand it, and all the other options no one's looked at, in my view, in serious detail. So it's easy to say, or it's easy to dismiss them.

So I have a couple of questions there. How would one know when it is no longer – it makes me question the whole concept when we don't know, since this window is closing, why is it closing? Particularly since I think it has closed quite a few years ago. Let me stop there.

MR. BROWN: Let's start with the most hopeful question, okay, the one of federation. I think it's a great idea. And the problem is that great ideas don't necessarily always have a lot of purchase. It's a great idea not simply because two people getting along would be great. It's a great idea in very practical terms as well. I mean, for the Palestinians in some way it would be absolutely critical for economic development. On the Israeli side it wouldn't be critical but it would be helpful.

That said, I think there are two really big problems with the idea. First is, to the extent that there is any support for a negotiated settlement on both sides, it's based on the idea that we don't want to have to deal with the others any more. Palestinians want Israelis out of their lives. Israelis would prefer Palestinians out of their lives. A federation doesn't offer – I mean, it would be great for the chambers of commerce. It would not be great for a politician to try to sell.

And the second problem is that you've got two extremely unequal parties in terms of power, and that's not a recipe for any kind of federation – viable federation that I can think of. I think the years of the second intifada have been probably fatal to that, in anything other than a kind of a legalistic way.

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Issue of timing and Palestinian attitudes towards the presidential election I will leave to Ghaith, except for the cynical remark that Palestinians are always convinced that the current president is the worst one possible, the next one can't be worse for them. We'll see if they're right this time.

In terms of your question, has anybody done any research on what kind of viable alternatives. It would be like a turn-around to you since you're USAID and you fund this kind of research. Are you aware of any that I should be reading? I can't really think of anything, and even to some extent, who is it that would be thinking? I'm not even talking in terms of academic research. Who are sort of the political leaders who are – one obvious place to look would be, what's Hamas' strategic vision? That would be an interesting question.

I see in a sense, on a sloganeering level, Islamic Palestine, this sort of thing. I don't see – I mean, I haven't looked systematically for it. I see Helena nodding, so I'm tempted to turn the question to her, but I don't see that much of a sense of great tacticians. I'm not sure I see much of a viable strategic vision on their part either. So I think my answer should be no, there is no serious thinking. I'm too aware of my own shortcomings in reading to say no, so I'll just restrict myself to, not that I'm aware of.

MR. AL OMARI: I would agree with Nathan in terms of the federation. I think the last seven years have been very traumatic for both societies. That said, when I started being an advisor to the negotiating team, we were mandated to think about, you know, how do we increase economic cooperation after the agreement is reached? How do we increase cultural cooperation? I think now we are at the point where just get off our backs, we're going to get off your backs, and see where it goes from there.

The idea of a federation or some sort of relation with Jordan is already also floating. The problem is that these are the kinds of things that you can talk about once you reach a deal, once you accept the Palestinian statehood. Before that, any mention of that will just have no purchase on the Palestinian side because we'll be seen as giving up on the national aspiration. The national movement has defined itself through creation of the Palestinian state and it's hard right now to sell a different package at this stage.

There is, though, obviously – once and if a state is formed – there is the issue of what kind of relations we're going to have and it has two dimensions. One is would we have a Palestine that looks westwards or eastwards? What kind of a system? What kind of a polity? What kind of economic regime we're going to have? And there's the other issue of the whole regional – reforming the whole regional map. I mean, Iran is there and there to stay for a long time as a regional superpower. There will be regional realignment around that. And Palestine, Israel, Jordan, Egypt will be part of this realignment. So something interesting might emerge there, not on the federation level but at least in terms of strategic and military cooperation.

To Raphael's question – actually it's – I think Nathan said that Palestinians always think that the current president is the worst. I think we've learned our lesson from the Clinton years. When Clinton presented his parameters and there was a sense – hah, why settle for Clinton; wait for the next guy; and wait for the next guy and we're paying the price right now. So there is a sense of urgency and there is a sense that – I mean, Abbas definitely voiced that when he came here a couple

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of weeks ago – is if we don't reach a deal right now, we might end the year with the PA with nothing to offer, having lost its political platform.

So there's still a desire to reach a peace deal but there's also an understanding that the time might be too short. And the political reality is even if you reach a peace deal tomorrow and the best one possible, it might be hard to sell at this stage. There is no credibility. There's too much chaos. There's too much – the separation goes back in Gaza. All of these issues make it politically dangerous and I think, as I said, they're looking at the administration to see how do we create a stabilized transition process until we see what happens with the next guys.

The window is closing and we've been hearing that for years and I think this goes back to the point that I concluded on, which is logically speaking, purely analytically speaking, yes, the window has closed many times in the past. But because there is a political interest in maintaining it open, people find ways around it and acrobatics are employed and the rest of it and it continues living. So this is somewhere where politics actually kinds of goes beyond the clear neat, intellectual analysis of what we have there.

Fragmentation of the Palestine – yes, I mean, Palestine has been fragmented for a long time, physically: West Bank Gaza, Jerusalem, everything that you mentioned. However, there's a difference between physical fragmentation and political fragmentation. Despite all of the physical fragmentation, there is still – the Palestinian National Movement is, at least in the West Bank and Gaza, is glued together with a couple organizing principles that politically define how actors play and how actors – and the frames of reference. One being the PLO one, more recently the Hamas one.

The problem is when these organizing principles disappear and collapse, there is no ready-made alternative and there is no read-made institution to carry this alternative. And this is the kind of fragment that I'm afraid of, where there is no national, no uniting principle, and then it's really every neighborhood for itself and every neighborhood defines its own political agenda. This is what scares me.

The current fragmentation can be dealt with through its logistics and therefore can be dealt with logistical means. The future fragmentation is one that will require reemergence, A, of a new organizing principle; B, of institutions that will control that. And if history is anything to go by, you know, it took the national movement from 1948 to 1968 to actually come up with the form of Fatah and then another 20 years to come with, in the terms of the two-state solution, so it's a very lengthy process.

The other option is their scholarship. The only scholarship that I'm aware of and that goes back to the issue of federation, an issue of relation, is what Abdelsalam al Majali, the former prime minister of Jordan, is working on and trying to see what future relations and what models of relations that we can have between Palestine and Jordan. That's the only kind of research that I'm aware of.

MS. OTTAWAY: Just one moment. Helena, do you want to jump into this discussion? Nathan threw out the question to you.

Q: Not really.

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MS. OTTAWAY: Not really, okay. (Laughter.) We'll leave it at that. Okay, we have –

Q: No, people should just read my article and then we can have a discussion on that.

MS. OTTAWAY: Okay, there is somebody else who wants to do it. Go ahead.

Q: As a staffer at USIP who funds these kinds of things, you know, I've been there, I don't know, 14 years and I've never seen a proposal. We don't go out and solicit but we receive lots of proposals. I have never seen a proposal come to USIP that I can recall that is exploring options to the two-state solution. And this gets back to, I think, the international community. Everybody is invested in this and it is not yet, you know, legitimate even to talk about these kinds of things and this is why I applaud this kind of panel that begins to open a discussion about it. I mean, it has been – correct me if I'm wrong, it's not been really a legitimate kind of pursuit. Well – (inaudible, laughter) – I mean, you're welcome.

(Laughter.)

MS. : (Off mike.)

Q: Anyway, I just wanted to respond to, you know, I haven't seen a proposal and it's also – it's counter to, I think, political correctness, I guess.

MS. OTTAWAY: Okay we have one question here and one back there.

Q: Thanks. Gary Mitchell from the Mitchell Report and I was thinking about the window that's closing and it's – and it occurs to me that maybe that – I think that's the same window that's – that keeps closing or getting closing in Iraq. And anyway, I want to just ask a couple of quick questions. The first has to do with the discussion this morning – and we're hearing it elsewhere about America's role in the Middle East about how its – you know, various adjectives: dying, dead, in the process of dying, et cetera.

I wonder if you could put a little more meat on those bones and focus on a couple of questions. One is, is that a response to this current administration? Is that a response to our being in Iraq? What are the – can we dimensionalize that a little bit other than sort of America's on the wane there? And I just thought I'd just throw it out because no one else has raised it but an alternative to the two-state solution: Is anyone talking about a three-state solution?

MS. OTTAWAY: Okay, right behind you.

Q: Thank you. I'm Phil Wilcox from the Foundation for Middle East Peace. I'd like to play the devil's advocate and challenge the idea that you have both mentioned about creating a more stable and hopeful transition that the next administration could inherit as a foundation for a more active leadership and that there is potential, still, for a settlement freeze, a reduction of the checkpoints, and an improvement of the quality of life of the Palestinians. We've been hearing this for years and years.

Indeed, it's been the basis of American policy because of the difficulty of the macro issues. People have argued let's deal with the micro issues to improve the environment. This has always

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failed and perhaps it has failed because the macro and the micro problems are indivisible. The checkpoints, the restraints on the Palestinian economic life, the steady enlargement of settlements are part of a macro policy. They're not just no mindedness or negligence on the part of Israeli – the Israeli defense forces and Israeli bureaucrats. They're absolutely built into the larger goal of occupation settlement and control, which is the predominant dynamic in the government of Israel today, notwithstanding the fact that it is opposed by the majority of the Israeli people.

How can you separate the two? How can you deal with a settlement freeze stopping the construction of settlement, reversing an eternal momentum and machine within the government of Israel, which is deeply institutionalized, operating on autopilot? How can you stop and shut down the checkpoints when they're designed to protect the settlers? How can you improve Israeli-Palestinian – Palestinian security performance when the notion of a strengthened Palestinian security apparatus is to defend the Israelis against Palestinian rebellion? It seems to me that unless someone is willing to link the micro issues with the macro issues with a broader vision of what must be done, the current instability, violence, and the chaos is likely to continue.

MS. OTTAWAY: I don't see any more questions. Go ahead.

MR. BROWN: First, with regard to the reasons for the declining American role, I don't think it's a reluctance to deal with the Bush administration. It's obviously deeply unpopular in large parts of the region. But for the most part, people are still willing to deal with the United States. It's very rare and you do have a few parties that won't. But it has to do with the decisions the United States has made and where it has decided to invest its resources. That's first and the effect of those choices, especially in Iraq. I would argue sort of in Lebanon as well, sort of in some ways an insistence on principle that sometimes amounts to a refusal to deal with unpleasant realities. And if you refuse to deal with unpleasant realities, sometimes they come back to bite you.

And a third element, I would say, would be the – I think an unfortunate habit the United States has of regarding diplomacy as a reward. Diplomacy is something that you give kind of to people that agree with you and I think that's unfortunate because the United States sort of writes itself out in some unfortunate ways. So those would be the sorts of reasons why the American role, as I say, has declined somewhat. It becomes a little bit less relevant.

Phil, in answer to your question, I don't think I necessarily have a good answer. I mean, he was basically saying, you know, unless you deal with both the micro and the macro, you have more, you know, violence and despair or whatever. Yes, the answer's yes. And for that reason, actually, the – I'm going to have trouble quoting myself. In the policy brief, I don't think I talk about a settlement freeze, the rollback. And the words – I choose that deliberately because, you know, freeze. Then we get into endless niggling detail about what a freeze means and as a result, it has absolutely no political benefit.

And I really meant what I said when – the message has to be conveyed, not simply to Palestinians but also to Israelis themselves that this is something that is reversible; that their entrenchment in the West Bank is reversible and I don't see how you do that with – you know, with sort of a freeze, semi-freeze, removing a few checkpoints but kind of in this sort of presenting it in a very polite way to the Israeli public in such a way as you're avoiding some tough political choices.

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That said, in the current atmosphere, I don't know how any Israeli political leader argues that this is the time to start doing something like that. And the result is the unhappy conclusion I've come to. So in a sense what would be demanded of the Israelis is something that I don't think the current government is capable of doing.

MR. AL OMARI: Yeah, why is the U.S. role diminishing? A number of factors. I mean, definitely this administration has made it much worse than in the past, let's put it this way. A number of reasons. I think the way that the whole war on terror has been framed has been very counterproductive. This clash of civilization narrative that we see coming out of here, the perceived failure in Iraq, and it's seen that the U.S. is losing in Iraq. That definitely diminishes its stature. And the fact that it has invited Iran, for all practical reasons, into the region, that left a level of bitterness.

And I think another reason is many of the pro-American-Arab regimes are coming under attack at this stage. They have failed to deliver to their public, both in terms of domestic issues and in terms of foreign policy issues and they're coming under attack and the U.S. is lumped into that total package. I think it's part of a wider regional transformation that we're seeing or at least narrative conflict that we are seeing right now. Similar, actually, to what we had in '50s and the '60s when revolutionary movements started moving in and the U.S. was lumped with the establishment. It was part of overthrowing that.

As to Phil's question, I think it has been a mistake to separate the two and I think the problem is – has always been we were looking at the confidence-building measures as something instead of the macro issues. We can't deal with the big issues; let's deal with the small issues. I'm yet to see a plan, which uses both to kind of feed off one another. What I'm looking for right now – what I'm – in terms of confident of the things on the ground, is not an objective in their own right because we know that they are unsustainable, both in terms of their political impact and in terms of actually physically sustaining them.

But you need to start conceptualizing them as ways of creating temporary stability; of creating temporary good sense; temporary good press, if you wish. Every now and then a few prisoners are released; a few checkpoints removed will not solve the problem but can create enough of a buzz to create a sense of movement. In an ideal situation, you will do this as a way of supporting the negotiations and then you make progress in the negotiations as a way of supporting the things on the ground. Right now, we're not in an ideal situation. Right now, what we're trying to do is to buy some level of stability until we get back to the permanent state issues.

The point that Nathan made and one of the biggest mistakes in dealing with these kind of spending measures and this is where the macro has to come in, in the past, you know, Palestinians and Israelis love to negotiate. Give them anything and they'll negotiate over it. And so the confidence-building measures, rather becoming that, end up being a source of further tension. I mean, I remember sitting with Israelis and negotiating there's going to be 400 prisoners or 450 prisoners and it goes for weeks and then in the end, it loses its relevance. You need a big brother, if you wish; an adult to come in and to start imposing on the sides – not painfully, not terribly difficult issues, but enough small steps to create a level of impact and a sense of serious among the other side.

If you leave it to – by another process, it will go nowhere. And that's why I'm saying the U.S. should start focusing its diplomatic efforts, at this moment, to creating a doable confidence-

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building measure process with the knowledge that ultimately this will have to lead – that this will have to feed into a bigger macro process.

MS. OTTAWAY: I think we have – (off mike).

(Applause.)

(END)